


4 REAL ESTATE MARKET ANALYSIS

A. INTRODUCTION

Chapter 4 details the real estate market forces that are shaping the County and Town's development environment. The real estate market analysis reflects the most current market conditions and analyzes development, leasing, sales, and absorption trends that have occurred over the past 10 years. In addition, RKG Associates conducted a number of interviews with local development and real estate professionals in order to understand the nuances of the Blacksburg market and to identify any structural or regulatory barriers that may be inhibiting local development activity.

The general purpose of this analysis is to identify future opportunities for growth and development within the region, with a specific emphasis on the Town of Blacksburg. It is the consultant's opinion that future growth in Blacksburg will largely follow established development patterns and will be guided by existing development regulations. With a few exceptions, it is generally believed that recent development trends will be a reasonable predictor of future development over the next three to five years. Beyond five years, it is very difficult to predict with any certainty, how a community might grow. One can only make reasonable assumptions about regional economic trends, land and building absorption rates, and regulatory constraints, and provide a range of possible outcomes. The results of Chapter 4 will be used to create district-level development scenarios in Chapter 6.

B. METHODOLOGY

RKG Associates obtained a Geographic Information System (GIS) parcel boundary layer and real property tax records database from the Town of Blacksburg Department of Planning and Engineering and the Montgomery County Tax Assessors Office. The real property assessment records were then linked to the GIS parcel layer and the land records were parsed out into six identifiable neighborhood districts. District boundaries were drawn around distinct neighborhoods, commercial districts, and areas that were considered similar in character. The boundaries, which were consistent with the Town's Neighborhood Enhancement planning districts, were reviewed and approved by the Town's Planning staff. From the electronic inventory of over 7,000 parcel records, the consultants were able to categorize the different properties by land use, as designated by the Montgomery County landbook and the Town of Blacksburg Department of Planning and Engineering. Where land use designations were not available, the consultants performed a "windshield" survey and noted the current land use of these properties.

In order to conduct the growth trend analysis, residential, open space, and employment-generating parcels were further separated into slightly more detailed land use categories (Table 4-1). The land use categories were obtained from County Land Book records, which are considerably less detailed than Town of Blacksburg land use classification system presented in Chapter 5. Once sorted by land use category, the parcel records were then sorted by the "Year Structure Built" field in order to determine the pace and intensity of development in the Town and the County.

Table 4-1

Town/County Real Estate Land Use Categories

EMPLOYMENT-GENERATING	RESIDENTIAL	OPEN SPACE
Commercial	Single-Family, Rural (>1 unit/acre)	Agricultural
Office	Single-Family, Low Density (<1 unit/acre)	Vacant
Industrial	Multi-Family & Apartments	

Source: Montgomery County Land Book, 2000

It is important to note that the University District (see Chapter 5) is not included in the development trend analysis described in this chapter. Since Virginia Tech owns

all of the land in this district, current and future development decisions are largely outside the influence of the Town. As a result, the Blacksburg totals presented in this chapter DO NOT include the University District values when comparing the Town and County figures. However, “university-owned” parcels located in the other six neighborhood districts have been included in the Town-wide and County level analyses.

It must also be mentioned that the databases provided by the Town of Blacksburg and Montgomery County have some limitations in terms of accuracy and completeness. Where parcel records had incomplete data fields, RKG attempted to calculate or estimate the appropriate value (if possible) based on the average values of similar properties. Consequently, the data presented in this chapter do not reflect exact “in the field” conditions, but is considered quite accurate and suitable for the purpose of identifying general land use trends and growth patterns at the district level.

C. COUNTY AND TOWN DEVELOPMENT PROFILES

This section details land use characteristics of Montgomery County and the Town of Blacksburg as they presently exist. It is necessary to first understand these differences before analyzing development trends, making growth projections and predicting future absorption rates for the Town. The County and Town are examined in terms of their land use pattern, tax base, development density, and assessed value per square foot.

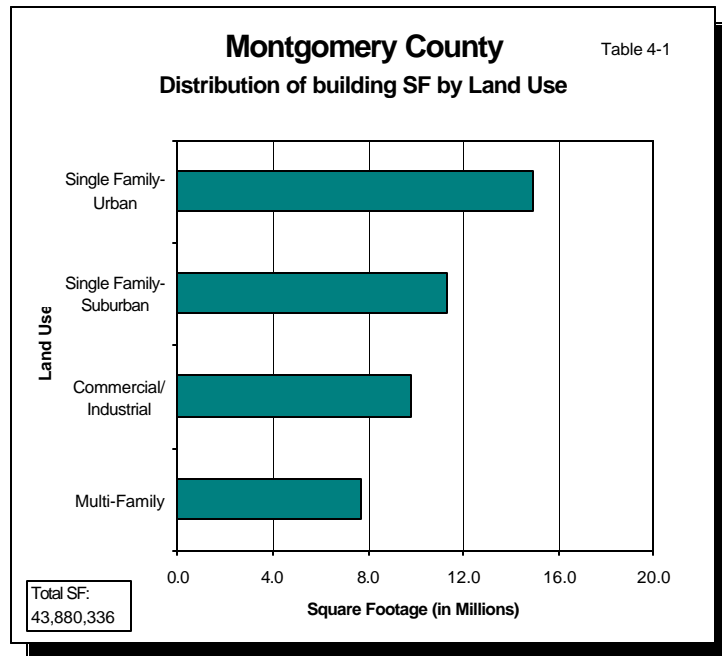
1. Montgomery County

- **Distribution of Land Uses** – Montgomery County is mostly rural, with two main population centers in the Towns of Blacksburg and Christiansburg. Over 90% of the total developed, taxable properties in the County (28,884 properties) are classified as residential (Figure 4-1). Single-family homes account for nearly this entire total, equaling 26.3 million SF of building space on 33,624 acres. There are only 1,134 parcels currently classified as commercial and industrial, which consist of roughly 9.9 million square feet of building space on 2,626 acres. Over 90% of the non-residential land area and building space are located in Blacksburg or Christiansburg. The rest of the county is classified as vacant or

agricultural use, which comprise 9,830 parcels (24.6%) on 177,019 acres (82.6%) out of a total of 214,237 acres of taxable land.

➤ **Distribution of Tax Base –**

The County has over \$3.4 billion in total taxable assessed value (including the Town of Blacksburg). Residential uses comprise approximately 68.5% (\$2.35 billion) of this total, with single-family homes totaling almost \$1.9 billion. Agricultural and vacant uses comprise the second largest share of the tax base, totaling \$568 million (16.3%) in assessed value. Commercial and industrial uses account for the remaining \$522 million (15.2%) of the total County taxable assessment.



- **Development Density –** Development densities are typically compared using floor-area-ratios or FARs. Floor-area-ratios are an indicator of the density of development on a given parcel or area. A FAR is determined by calculating the gross building square footage as a percentage of total land square footage. For example, an 8,000 SF building located on a 10,000 SF lot would have a FAR of .80, or in other terms, the total building square footage equals 80% of the total land area.

The development densities in Montgomery County are typical of a mostly rural County. The County's residential, commercial and industrial properties have an average FAR just under 0.03, or 1,169 square feet of building space for every acre of land area. This is roughly the equivalent of a very small single-family home or townhouse. Commercial and industrial uses (0.09 FAR) have a higher development density than residential uses (0.02). Multi-family uses have the highest FAR of 0.17, which is significantly higher than single-family properties

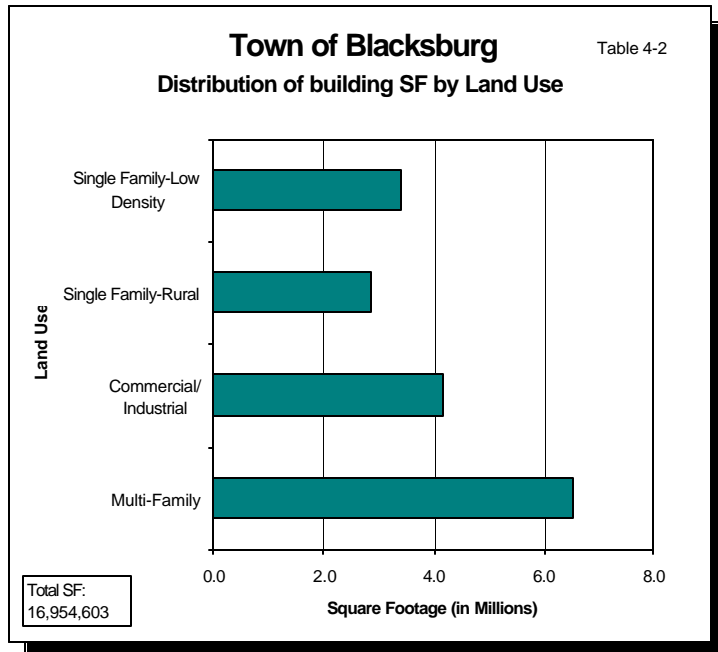
(0.01 FAR). However, single-family properties constitute a much larger share of the housing market.

- **Assessed Values (Land and Buildings)** – Assessed values per square foot for land and building space are often used to compare different types of real estate in different locations. Land and building values are sensitive to location and the highest values are generally reserved for properties that enjoy good visibility, high allowable densities, transportation access, and are located in active real estate markets. Building values are also a function of the type of space constructed and the quality of materials and level of finish applied to the building's interior and exterior. As an example, a Class A office building located at a prime downtown location will be far more valuable on a per square foot basis than a 50,000 SF corrugated metal warehouse at the end of a country road.

There is a significant disparity in Montgomery County in terms of assessed land values. The County has an average land value of \$4,727 per acre, including agricultural and vacant land parcels. If undeveloped land areas are removed from the calculation, more urbanized land values average \$14,063. Commercial and industrial land uses have the highest land value averaging \$45,976 per acre. Residential land uses (single-family and multi-family) have an average value of \$11,627 per acre, with multi-family land valued at \$50,104 per acre and single-family valued at \$10,453 per acre. Urban residential parcels are on average four times (\$25,021 per acre) more valuable than rural residential parcels (\$6,052 per acre). This is largely due to development densities (per acre), which are much lower in the more rural parts of the County.

Agricultural and vacant land averages, which average \$2,764 per acre, are well below the County average of \$4,727 per acre. Agricultural and vacant land constitute approximately 50.0% of total land value in the County despite accounting for nearly 83% of the total land area.

The differences in per square foot building values by land use are less pronounced. The County has an average building value of \$52.93/SF. Residential building values average roughly \$57.23/SF, with multi-family values (\$51.71/SF) being below the single-family average of \$58.86/SF. Commercial and industrial buildings have an average assessed value of \$40.65/SF.



2. Town of Blacksburg

➤ **Distribution of Land Uses** – Source: Montgomery County Tax Assessor and RKG

Blacksburg has a diverse mix of land uses consisting of 7,735¹ taxable properties covering 9,730 acres and 17.0 million SF of building space. Residential uses account for the vast majority of the Town's building stock, equaling 75.5% of the total building space and 70.1% of total assessed value, while only occupying 30.7% of the Town's total land area. Employment-generating uses have a much smaller presence in Blacksburg, accounting for only 2.9% of the total taxable parcels and 5.6% of the total acreage. Despite this fact, employment-generating uses represent 24.5% of the taxable building square footage. Agricultural and vacant uses account for 39.6% of the total acreage in Blacksburg but only represent 9.8% of total land parcels and 7.2% of assessed value. This is primarily due to the large size of most agricultural or vacant properties.

The Town's residential tax base is comprised primarily of multi-family units, which constitute 71.4% of the total unit count while only encompassing 22.0% of the land area dedicated to residential uses. In addition, multi-family housing accounts for 53.5% of the total residential building space. Based on housing

¹ "Taxable Properties" are different from dwelling units or buildings.

calculations generated by the Town of Blacksburg Department of Planning and Engineering and RKG Associates, there are 8,988 multi-family units in Blacksburg, primarily in the Midtown (4,649 units) and Southwest (1,988 units) Districts. Apartments (6,532 units) and townhouses (1,096 units) account for almost 85% of the total. Single-family housing only contributes 3,603 units to the Blacksburg inventory. Almost 60% of the single-family housing is located in the Midtown District.

Commercial properties (primarily retail and mixed-use) constitute the majority of employment-generating uses. In fact, commercial uses account for 48.7% of the total building area, 51.7% of the Town's total employment-generating parcels, and 37.8% of the total acreage. Industrial and R&D uses account for over 1.4 million SF, or 23.8% of the Town total building square feet, despite the small number of developed properties (24 parcels). This is partially due to the presence of the Virginia Tech Corporate Research Center, which accounts for 380,600 SF of building space.

The Town of Blacksburg accounts for a significant share Montgomery County's developed acreage. The Town comprises 42.7% of the total properties and 39.0% of the total taxable building space while only encompassing 8.2% of the total acreage. In terms of residential land uses, there is a significant disparity in Town's presence in the County. Single-family uses account for 19.4% of total unit count in Montgomery County and 22.7% of County's square footage in the County. In comparison, the multi-family uses comprise 87.3% of County's unit total and 88.2% of the County's total multi-family building space. Blacksburg's employment-generating properties comprise 26.0% of total parcels and 43.8% building square footage dedicated to employment uses in the County.

- **Distribution of Tax Base** – The Town of Blacksburg has a total assessed value of approximately \$1.18 billion (in 1999 dollars, not including Virginia Tech property). This total represents approximately 34.6% of the County's total taxable assessed valuation of roughly \$3.4 billion. In Blacksburg, residential land uses account for \$897.5 million, or 76.4%, of the non-exempt tax base. Employment-generating properties have a combined assessed value of roughly \$221.2 million, or 18.8% of the total tax base. Despite the sizable amount of agricultural and vacant land in Blacksburg, these uses only account for 4.8% of

the Town's non-exempt tax base or \$56.3 million. For comparison purposes, tax-exempt lands owned by Virginia Tech (Commonwealth and the Virginia Tech Foundation) have an estimated assessed value of roughly \$752.9 million, which is an amount equal to 67.4% of the Town's taxable value. If this real estate was taxable, it would increase the Town's tax base to nearly \$1.9 billion.

Residential uses contribute the greatest share to both the Town and County tax base, accounting for 76.4% and 72.5% of non-tax exempt assessed valuation respectively. However, there are differences between the two tax bases, most significant of which is the prominence of agricultural and vacant uses. The County tax base has a very high percentage of land dedicated to vacant and agricultural use (82.6%), while representing 16.5% of the total taxable value. In comparison, agricultural and vacant land uses comprise only a total of 41.1% of the taxable acreage and 2.9% of the Town's non-tax exempt tax base. In addition, Blacksburg has a more urbanized development pattern, maintaining a higher percentage of land dedicated to employment-generating uses (7.3%) than in the County (1.2%).

- **Development Density** – As discussed earlier, the FAR indicates the intensity of development by comparing the total building square footage of a property to the total square footage of the property's land area. A higher FAR indicates more building space per square foot of land.

Blacksburg has an average development density of 0.11 FAR. This density level is four times greater than the County average. Blacksburg accounts for a much higher percentage of the County's total building space (39%), as compared to its share of the County's urbanized land area (8.2%). Similar to the County, the Blacksburg employment-generating uses have a significantly higher FAR (0.17) than residential uses (0.10 FAR). In addition, the relationship between multi-family uses (0.23 FAR) and single-family properties (0.06 FAR) is consistent with the County situation.

- **Assessed Value (Per Square Foot)** – Similar to the County analysis, Blacksburg has a significant disparity in assessed land values between the different land use categories. Employment-generating properties have the highest land values at \$76,270 per acre, with residential uses valued at \$46,669 per acre. Among

employment-generating uses, assessed land values range from a low of \$13,134 per acre for industrial to \$410,606 per acre for mixed use-commercial. Residential land assessed values range from \$23,170 per acre for mobile home parks to \$475,765 per acre for condominiums.

Agricultural and vacant parcels have an average land value under \$10,000 per acre. It is important to note that vacant parcels have a significantly higher average land value (\$24,720 per acre) than agricultural uses, which is primarily due to the influence of zoning and location of these parcels.

On average, land values are significantly higher in Blacksburg than in the County. In fact, the overall average assessed land value in Blacksburg (\$29,635 per acre) is over 6 times higher than the County average of \$4,727 per acre. This is primarily due to the reduced influence of low-value agricultural and vacant land uses on the Blacksburg tax base.

In terms of building values, Blacksburg has an average non-exempt building value of \$55.99/SF. Residential building space has a significantly higher average assessed value (\$58.88/SF) than employment-generating space (\$43.01/SF), which is consistent with County building values.

On an average per square foot basis, the Town has 4.7% higher residential building values than the County. However, the difference in residential values between the County and Town are much more pronounced in total value terms. After removing Blacksburg figures from the County totals, the average assessed value of a single-family property in the Town (\$136,155) is over \$42,000 or 45% higher than in the County (\$93,813). This is primarily due to the fact that the average size of a single-family home in Blacksburg (1,651 SF) is roughly 22% larger than in the County (1,355 SF) and the average per acre cost of land is much higher than the County. In the County, however, the average single-family dwelling consumes 2.1 acres of land while the average lot size in Blacksburg is less than 0.67 acres.

Relative to employment generating land uses, the Town has lower per square foot building values. Recent growth trends indicate that Blacksburg has been more successful at capturing higher value residential developments, while the

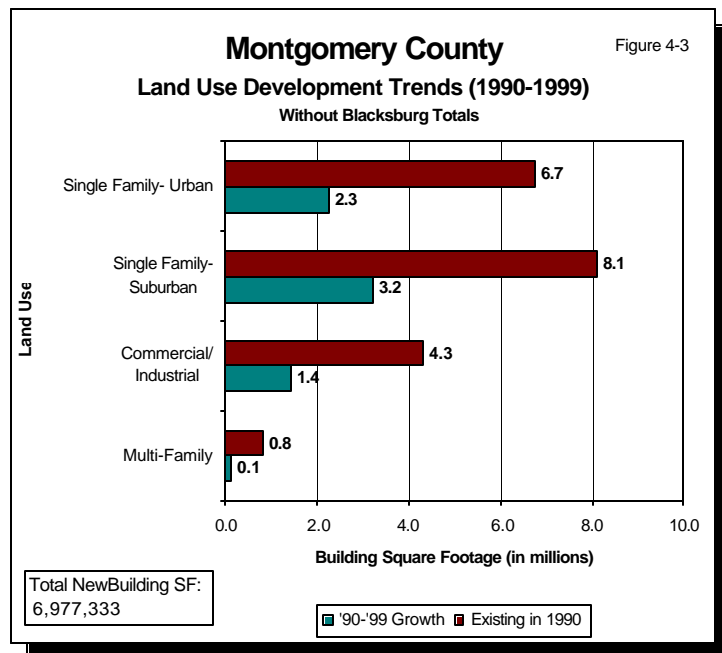
County (primarily Christiansburg) has received the lion's share of the newer commercial development.

D. COUNTY AND TOWN DEVELOPMENT TRENDS

This section analyzes recent development trends in the Town of Blacksburg and Montgomery County between 1990 and 1999. The development trends are expressed in terms of new building square feet and acres developed by generalized land use category. For this section, the Town of Blacksburg totals has been removed from the County data. This has been done to better exemplify the differences between the County and the Town.

1. Montgomery County

As shown in Figure 4-3, Montgomery County has been experiencing strong growth in residential development. Since 1990, over 3,000 new single-family homes and 150 multi-family units were constructed, adding 5.5 million square feet of residential building space on 6,565 acres. This development added approximately \$430.9 million in assessed value to the County's tax base. It is estimated that an average of 300 to 320 new housing units has been added each year over the past decade. The residential growth totals represent increases of 36.1% in new building square footage and 43.0% in residential assessed value. The new homes being built are larger and are more expensive on a per square foot basis than existing homes. It is important to note that almost all of the residential growth has been single-family development. In fact, multi-family growth only represents a 2.0% increase in building space and assessed value of the existing multi-family stock.

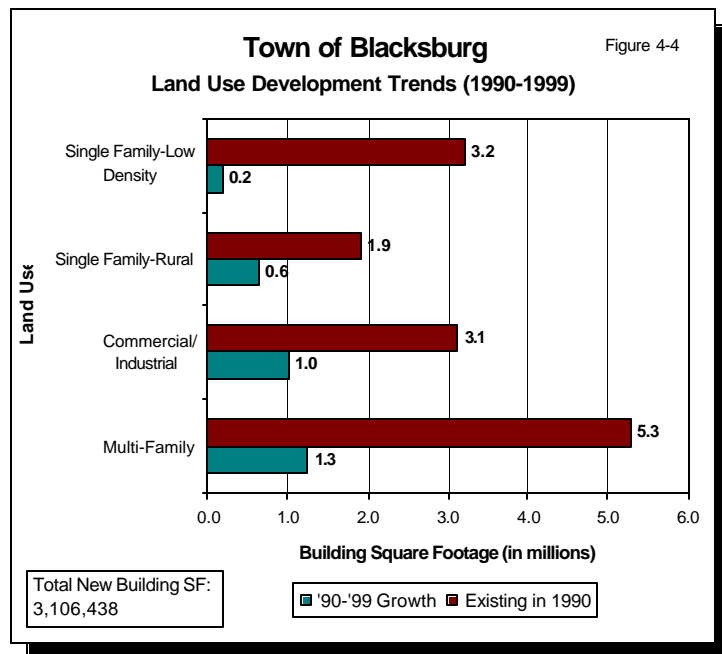


Source: Montgomery County Tax Assessor and RKG

Employment-generating uses experienced similar growth rates. There have been 64 new employment-generating properties developed since 1990, covering 476.0 acres, adding 1.4 million SF of new building space and \$57 million to the County's tax base. This growth represents a 28.5% increase in employment-generating land consumption, a 33.4% increase in building square footage and a 23.0% increase in total assessed value.

2. Town of Blacksburg

Blacksburg has experienced steady growth since 1990. Approximately 1,500 new structures were constructed over the past decade, resulting in an estimated average of 145 new dwelling units and 5 new employment-generating buildings per year. In total, 3.1 million square feet of building space was added with a total assessed value of \$199.5 million. Residential growth accounts for 67.2% (2.1 million SF) of the new building space constructed and 67.1% of the added assessed value in Blacksburg during the study period.



Source: Montgomery County Tax Assessor and RKG

Nearly 74% of all residential growth in Blacksburg during the 1990s was classified as multi-family development. In total, 1,068 of the 1,452 new residential parcels developed are multi-family, with multi-family complexes (797 units) and townhouses (189 units) comprising the majority. Single-family uses experienced a net increase of 16.2% in new building space and 18.9% in assessed value while gaining 11.9% in total units during the 1990s, while multi-family uses experienced a 22.5% increase in building space and a 15.9% increase in assessed value during the same 10-year time frame.

The industrial land use experienced the majority of new development activity among employment-generating uses, accounting for 65.0% of the new building space and 61.3% of the new building assessed value. Industrial uses also experienced the largest volume of growth during the decade, adding 661,460 SF of new building space, for an increase of 50.9% over 1990 levels. In total, Blacksburg employment-generating uses increased by 24.5% in building space, 26.6% in acreage, and 30.2% in total assessed value. It is important to note that the Virginia Tech Corporate Research Center has a strong impact on the Town's employment-generating growth, accounting for over 40% of the industrial/R&D square footage in Blacksburg.

E. NEW CONSTRUCTION PROJECTS

There are several projects currently being developed that will have an impact on the Town of Blacksburg if they are completed. Unfortunately, these projects are not represented in the assessment analysis since they are not yet on the Town's tax records. This section describes these new projects to further understand their implications on the local real estate market and the Town's development patterns. It is important to note that these projects **do not** represent all development projects currently underway or proposed in Blacksburg, however, they are believed to be some of the most significant development projects.

- Thomas King Office Building – This is a 12,200 SF office building being located on a 0.55-acre lot along North Main Street. This project has the potential to impact the Midtown District (see Chapter 5), increasing the total office space in the District by over 20.0%. In addition, the building will have a 0.55 FAR, which is indicative of the district's denser development pattern.
- AmeriSuites Hotel – The AmeriSuites hotel is a 66,080 SF building that will offer over 100 business suites. It has recently been constructed in the Prices Fork Road area at the location of the Route 460/Prices Fork Road interchange. The hotel will be the fourth to locate in Blacksburg, which will help alleviate a reoccurring need for hotel rooms in Town, especially during university-related events. This project further establishes the Prices Fork area as an emerging commercial area.

- Collegiate Square – Collegiate Square is a 78,290 SF mixed-use development, incorporating office and retail space. This project is located directly at the corner of Turner Street and Prices Fork Road. This project utilizes an urban infill site that has been underutilized for many years and is positioned to cater to the university market. Part of the development (restaurant/grill) was recently completed. According to the developer, the university will lease a significant portion of the office space.
- North Main Centre – This development is an 18,147 SF retail center located along North Main Street in the North End District (see Chapter 5). This project will increase the commercial base in this District by 20% as well as the FAR, if constructed as proposed.
- Draper Street Commercial Development/Parking Garage Project – This project has the potential to diversify retail offerings in the central business district and expands the supply of off-street public parking. As proposed, this project will cover a two-block area between Wall Street and College Avenue and between Draper Avenue and South Main Street. The development will include the construction of a new municipal parking garage that will add more than 300 parking spaces to the downtown, as well as, the expansion of the Blacksburg Farmers Market. The developer has also proposed to add new retail stores catering to broader market segments than other downtown establishments. The actual amount of new retail space may be in the 30,000 SF to 50,000 SF range, but will depend on the design of the parking structure.
- South Main Street Redevelopment – This project proposes to redevelop a portion of the South Main Street corridor in order to create a mixed-use development including new retail, office, and residential uses. This project, while in a concept stage, could have a significant impact on South Main Street development patterns and would upgrade land values in this transitional area.
- Virginia Tech Corporate Research Center Expansion – A representative from the Corporate Research Center has indicated that there are two new facility buildings nearing the construction phase, totaling approximately 100,000 new square footage. An additional 40,000 SF building in the design stage as well.

These facilities will house businesses similar in focus to tenants currently residing in the existing buildings associated with the CRC.

In summary, these seven projects could add between 300,000 SF and 450,000 SF of new employment-generating space to the Town's tax base if they are constructed as proposed. This level of development would represent an 8% to 13% increase in employment-generating building space over current levels.

F. ROUTE 460 CORRIDOR DEVELOPMENT TRENDS

Over the past 10 years, the most significant development activity in the region has taken place along the Route 460 corridor, from Blacksburg's southern border to the Route 460/Peppers Ferry Road intersection. Over the past 10 to 15 years, this commercial corridor has been transformed into a regional shopping destination for the New River Valley region. Literally dozens of national retailers, restaurants, banks, offices, and service establishments have located to this area, resulting in a retail gravity shift away from the County's population center, the Town of Blacksburg.

Most of the development within this corridor has been primarily retail and service with a modest amount of professional office space. More specifically, the area has seen the development of the New River Valley Mall, as well as, several "Big Box" retailers including Wal-Mart Supercenter, Lowe's Home Improvement Warehouse, K-Mart and Goody's. In addition, Home Depot and Target have currently finished constructing new facilities in this location that add another 200,000 SF to 300,000 SF to the region's retail base.

RKG Associates analysis of County property assessment records indicates that approximately 1.4 million SF of new building space was constructed in this area between 1990 and 1999. With the addition of Home Depot and Target, this total will increase to between 1.6 and 1.7 million SF of new space in just 10 years for an average of between 160,000 and 170,000 SF per year.

Recent development in the Route 460 corridor comprises roughly 27.8% of the County's developed employment-generating land area, 38.9% of total building space, and 40.4% of the total assessed value. In addition, the corridor accounted

for 67.9% of the total employment-generating parcels developed during the 1990s, 64.2% of new building space, and 81.7% of the total assessed value gains realized during the period.

This reversal of fortunes has come at the expense of the Town of Blacksburg's retail base, which has seen the departure of Rose's Discount Store and Heronimus Department Store from the University Mall area and the departure of K-Mart from South Main Street. According to the County landbook, there are still 423.5 acres of undeveloped land zoned for non-residential uses along the corridor. Based on recent development trends in this area, this land could potentially build-out in less than 25 years and support another 3.3 million SF of building space, which would almost double the current building supply in the corridor. Although this level of development is not likely to occur over the next 20 years, it is almost certain that Blacksburg businesses will feel increased competitive pressures from this area.

G. REAL ESTATE SALES TRENDS

Property assessment records in Virginia typically reflect the current fair market value of real property as determined by the taxing jurisdiction. While real property assessments are intended to reflect 100 percent of current market value, external market forces can adjust the market value of given properties. Quite often a value gap is created between property assessments and true market value, due to rapid changes in the real estate market or the economy. To this end, RKG Associates analyzed recent real estate sales data in order to contrast current assessed values against actual sales prices. Variations in price above or below current assessed values could signify "hot" or "cold" market conditions. The analysis of arms-length sales records between 1995 to 1999 have been categorized by land use type and sorted by parcel size.

Table 4-2

Residential Sales Comparison

Town of Blacksburg and Montgomery County: 1995-1999

		Count	Acreage	Total AV	Average AV	Total Sales Price	Average Sales Price	Cost/Value Ratio
BLACKSBURG								
Single Family	< 1/4 Ac	965	69.49	\$73,774,500	\$76,450	\$75,318,623	\$78,050	1.02

	1/4-1/2 Ac	566	208.15	\$81,820,900	\$144,560	\$82,672,900	\$146,065	1.01
	1/2-2 Ac	198	154.80	\$36,292,000	\$183,293	\$38,622,400	\$195,063	1.06
	2-5 Ac	13	123.35	\$4,565,300	\$351,177	\$4,312,000	\$331,692	0.94
	5+Ac	7	101.41	\$1,845,600	\$263,657	\$2,371,000	\$338,714	1.28
Multi- Family		22	24.80	\$5,143,400	\$233,791	\$6,638,000	\$301,727	1.29
<hr/>								
COUNTY								
Single Family	<1/4 Ac	500	157.30	\$36,920,031	\$73,840	\$39,137,300	\$78,275	1.06
	1/4-1/2 Ac	872	325.63	\$76,863,901	\$88,147	\$79,100,600	\$90,712	1.03
	1/2-2 Ac	1,156	1,135.50	\$123,175,499	\$106,553	\$125,234,979	\$108,335	1.02
	2-5 Ac	308	911.15	\$38,585,400	\$125,277	\$40,192,000	\$130,494	1.04
	5+Ac	272	2,175.58	\$40,074,379	\$147,332	\$42,936,400	\$157,854	1.07
Multi- Family		38	77.51	\$10,700,900	\$281,603	\$14,582,000	\$383,737	1.36

SOURCE: Montgomery County Property Assessor's Office, 1999 and RKG Associates, Inc.

1. Residential Land Sales

Over the past five years, residential properties in the County have been selling for values slightly higher than their assessed value. In Blacksburg, 1,749 single-family residences were sold between 1995 and 1999, with an average sale price of \$118,540. Almost 88% of the residential properties sold in Blacksburg had parcel size smaller than one-half of an acre. The total sales value of these properties was roughly 2.5% greater than their current assessed value. As shown in Table 4-2, single-family properties on 2-5 acres of land were the only category with sales values lower than their assessed values. On the other hand, properties on more than five acres sold for 28.5% higher than their assessed values. While this is an interesting finding, it is important to note that both of these figures are based on very small sample sizes. As a result, the data might not accurately reflect real conditions. Multi-family properties in Blacksburg sold for 29.1% higher than their average assessed value. This is most likely due to the lack of land zoned for multi-family housing in Blacksburg, and the willingness of developers to pay higher prices for a limited supply of appropriately-zoned land.

The average residential sale price in the County during the 5-year study period was \$108,450, approximately \$10,000 less than the Town average (in 1999 dollars). Despite this fact, average sale prices were roughly 4.6% higher than average assessed values. Both single-family (3.5%) and multi-family (36.3%) properties in

the County had higher sales price-to-value ratios than the Town did. This analysis may indicate that the demand for more affordable housing in the County has driven price levels higher as buyers have looked for alternatives to Blacksburg's higher housing prices. This trend is likely to continue in the future if Blacksburg real estate values remain high. Currently, more affordably-priced housing can be obtained in the County and Christiansburg, and an increasing number of people purchasing homes in subdivisions located in the County but adjacent to Blacksburg's borders. These owners enjoy many of the benefits of living in Blacksburg, but do not have to pay as much for the property and they avoid local property taxes. Not surprisingly, only 44% of the properties sold in the County had lots smaller than 0.5 acres. This sharply contrasts the Town share.

Table 4-3**Commercial Sales Comparison****Town of Blacksburg and Montgomery County: 1995- 1999**

	Count	Acreage	Total AV	Average AV	Total Sales Price	Average Sales Price	Sale/Value Ratio
BLACKSBURG							
<1Ac	33	9.65	\$6,437,900	\$195,088	\$7,659,000	\$232,091	1.19
1-3Ac	6	10.17	\$4,579,300	\$763,217	\$5,533,500	\$922,250	1.21
3-10Ac	7	33.62	\$13,812,800	\$1,973,257	\$14,071,500	\$2,010,214	1.02
10+Ac	0	0.00	\$0	\$0.00	\$0	\$0	0.00
COUNTY							
<1Ac	66	38.39	\$7,545,300	\$114,323	\$8,679,887	\$131,513	1.15
1-3Ac	34	51.78	\$8,179,400	\$240,571	\$9,026,000	\$265,471	1.10
3-10Ac	12	62.57	\$14,918,400	\$1,243,200	\$16,832,500	\$1,402,708	1.13
10+Ac	5	117.18	\$11,604,400	\$2,320,880	\$13,421,500	\$2,684,300	1.16

SOURCE: Montgomery County Property Assessor's Office, 1999 and RKG Associates, Inc.

2. Employment -Generating Land Sales

Employment-generating properties have also sold for more than assessed value over the past 5 years. In total, 46 non-residential properties were sold between 1995 and 1999 in Blacksburg. These properties had an average sale price of \$510,210, almost 10.0% higher than the average assessed value for these sites. Properties on less than 3 acres were more likely to sell for prices above their assessed values. This is largely due to the higher demand for properties within this size range. Properties in the downtown area and near the industrial park had the

highest sales price-to-value ratio, with sale prices averaging 43.4% higher than their respective assessed values.

The County had significantly more arms-length sales in employment-generating properties (117 parcels) during the study period. County properties had an average sale price of \$177,678, nearly three times lower than the Town average. Despite this fact, the County properties had a higher sales price-to-value ratio (1.13) than the Town parcels. Properties with more than 10 acres of land had the highest value difference, attracting sale prices 15.7% higher than their assessed values.

3. Vacant Land Sales

Vacant land has a significantly higher sales price-to-value ratio than developed properties. The average sale price for the 79 vacant parcels sold in Blacksburg (\$14,507 per acre) was 38.5% higher than their assessed values. The greater spread between sales prices and assessed values with respect to vacant land is a function of the owner's development expectations. As an example, a 10-acre parcel of farmland may be assessed for only \$1,500 per acre. However, a developer with plans to develop 10 single-family homes on this site might be willing to spend \$10,000 per acre to acquire the land.

As Table 4-4 reveals, residential uses have had a higher sales price-to-value ratio, with the only multi-family parcel selling for over 5 times the assessed value. In comparison, employment-generating parcels have an average sale price only 10.6% above their assessment average. It is important to note that the land uses assigned to these vacant parcels were determined by associating the particular parcels to their respective zoning category.

Table 4-4

Vacant Parcel Sales Comparison

Town of Blacksburg and Montgomery County: 1995-1999

	Count	Acreage	Total Land Value	Average AV/Acre	Total Sale Price	Average Sales/Acre	Price/Value Ratio
BLACKSBURG							
LD Residential	42	22.48	\$1,205,200	\$53,615	\$1,815,650	\$80,771	1.51
RR Residential	25	556.30	\$4,236,000	\$7,615	\$6,081,525	\$10,932	1.44
MF Residential	1	0.75	\$5,000	\$6,637	\$25,500	\$33,851	5.10

Commercial	8	14.55	\$1,050,200	\$72,198	\$1,181,000	\$81,191	1.12
Industrial	3	56.46	\$318,900	\$5,649	\$333,500	\$5,907	1.05
COUNTY							
LD	158	144.68	\$3,283,778	\$22,696	\$4,008,150	\$27,703	1.22
Residential							
RR	186	1,016.91	\$3,800,418	\$3,737	\$4,843,275	\$4,763	1.27
Residential							
MF	6	16.96	\$692,500	\$40,821	\$2,392,000	\$141,001	3.45
Residential							
Com./Ind.	52	99.91	\$7,068,013	\$70,745	\$15,353,120	\$153,672	2.17

SOURCE: Montgomery County Property Assessor's Office, 1999 and RKG Associates, Inc.

"LD" - Low Density

"RR" - Rural

"MF" - Multi Family

In contrast, the average sales price-to-value ratio for vacant land in the County (79.2%) is significantly higher than the Town value. This is primarily due the multi-family residential and employment-generating sales, which have ratios of 345.4% and 217.2% respectively. In general, there is a higher demand for residential land in Blacksburg. It was reported through interviews with local real estate professionals that residential consumers actively "seek a Blacksburg mailing address." Because of this, there is a higher premium paid for residentially-zoned land. RKG's research also documents that there has been rapid land development activity in the County for employment-generating uses. The presence of large national retailers and the competitive market forces influencing their site locations decisions have likely driven up the cost of real estate, particularly vacant parcels located in prime development areas.

It is important to note that there are two primary reasons for the unusually high sales prices for vacant land dedicated to multi-family housing. First, the supply of this type of vacant land is extremely limited in Montgomery County. The scarcity of available land for this development drives up the price. In addition, there are no indications that either Blacksburg or Montgomery County is planning to adopt zoning changes to increase the supply of multi-family housing. Secondly, several local developers have informed RKG that they are planning new multi-family projects in anticipation of an enrollment increase at Virginia Tech in the near future. This increased speculation about Virginia Tech's enrollment, coupled with the university's current position not to build additional dormitories, has likely put upwards price pressures on the value of multi-family land.

H. CURRENT PRICING ANALYSIS

This section discusses the current market pricing of real estate in the Blacksburg-Montgomery County market as indicated by local Realtors.

1. Residential Uses

The Town of Blacksburg has historically offered higher housing prices than the remainder of Montgomery County. According to the local Realtors interviewed for this study, the average single-family detached house in Blacksburg is priced at around \$180,000. In comparison, a similar house in Christiansburg is typically listed near \$150,000, while the County average is closer to \$160,000. This disparity is primarily due to the recent housing construction trends. As previously stated, most of the newly constructed houses in Blacksburg are larger homes, and are typically priced between \$225,000 and \$400,000. The housing market in Christiansburg and the County have larger mixes of single-family-detached homes, offering more moderate-priced housing. The townhouse and condominium markets are similar to the detached housing market. The average price for townhouses (\$110,000) and condominiums (\$60,000) in Blacksburg are approximately 20% higher than in Christiansburg and the County.

The local rental housing market also has a significant price disparity, based on pricing information obtained from local apartment complexes. A 2-bedroom apartment in Blacksburg with 800 SF of floor space has an average rental rate of \$625 per month, with \$455 being the low-end and \$770 being the high-end. In comparison, a similar apartment in Christiansburg will have an average rent of \$463, with a range of \$425 to \$500 per month. The difference in rental rates is similar for 1- and 3-bedroom units as well. The rental housing stock in Blacksburg is much larger than Christiansburg, and the quality and diversity of apartment types are much greater. In addition, most students either prefer to, or must, live in Blacksburg and are willing to pay higher rents to do so.

Recent trends indicate that the local housing market is very healthy. Realtors report that the average price for a house has increased nearly 25% in five years. In addition, the disparity in pricing between Blacksburg housing and the remainder of the County has been narrowing. Local brokers report that housing prices in Christiansburg have increased approximately 30% since 1995, while Blacksburg

housing prices increased by 20% during the same period. These findings are consistent with the assessment and sales data presented earlier.

2. Employment -Generating Uses

Non-residential pricing can be divided into three categories: retail, office and industrial. Each market has a distinct customer base and reacts differently to various market forces. As a result, each one will be discussed separately to better detail the comparative relationships between Blacksburg and Christiansburg/Montgomery County.

Christiansburg maintains the strongest retail market in terms of lease rates. According to the Realtors interviewed, Christiansburg has an average lease rate of \$17/SF for a triple-net lease, ranging from \$15 to \$20/SF. In comparison, the average triple-net lease in Blacksburg is \$15/SF with a range of \$12 to \$17/SF. A triple net lease assumes that the party entering into the lease pays for all costs associated with the lease including utilities, taxes, and insurance. It is important to note that the average lease rate in Christiansburg is largely influenced by the heavy development along the Route 460 corridor. The data indicate that there is a disparity in Christiansburg between properties in this area and the remainder of Town. Montgomery County has a considerably lower lease range (\$10-12/SF) than the two towns due to the low demand for leasable space out in the County.

Table 4-5
Industrial Land Pricing Comparison
New River Valley, VA

Name	Location	Max. Avail. Acres	Total Acres	Asking Price (Per Acre)	Water Main (in.)	Sewer Main (in.)	Nearest Interstate	Nearest Highway	Rail
Blacksburg Industrial Park	Blacksburg	4 [1]	26 [1]	\$15,000	12	10	I-81	US 460	N
Christiansburg Industrial Park	Christiansburg	75	87	\$12- 15,000	8	8	I-81	US 11	N
Floyd County Industrial Park	Floyd	4	4	\$7,500	10	8	I-81	VA 8	N
Dublin Industrial Park	Dublin	90	90	\$10,000	6	16	I-81	VA 100	Y
New Century Commerce Park	Pulaski	1,161	1,161	\$10,000	12	8	I-81	VA 100	Y
New River Airport Industrial Park	Dublin	50	50	\$10,000	6	8	I-81	VA 100	N
New River Industrial Park	Fairlawn	145	145	\$10,000	12	15	I-81	VA 114	Y
Pulaski Corporate Center	Dublin	50	50	\$10,000	8	8	I-81	US 11	N
Booth Property	Pulaski	88	88	\$12,000	12	12	I-81	VA 100	Y
Cougar Industrial Park	Pulaski	75	75	\$25,000	12	0	I-81	US 460	Y
Radford Industrial Park	Radford	19	19	\$10-	8	8	I-81	VA 232	N

Source: New River Valley EDA, 2000

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occupancy trends, RKG Associates has used new construction activity as a proxy for absorption.

1. Residential Absorption Rates

Montgomery County had an average annual absorption rate of nearly 555,000 SF (not including Blacksburg figures) of residential space per year since 1990, which translates into approximately 300 to 320 new housing units per year over the same time period. Single-family homes account for almost all of the growth, comprising 98.4% of the new square footage and 95.3% of the total new units.

In comparison, Blacksburg has grown at a significantly slower rate than the County. The Town experienced an average annual residential absorption of 208,886 SF per year during the 1990s, which translates into an annual average of 145 new housing units per year. This indicates that Blacksburg has captured approximately 30% of the total square footage growth and 32% of the total new housing units in the County since 1990. In contrast to the County, multi-family housing accounts for the majority of residential development in Town, accounting for over 60% of the new residential square footage and 73% of the new housing units.

2. Employment -Generating Absorption Rates

The average gross absorption rate for employment-generating uses was 142,897 SF per year in Montgomery County (not including Blacksburg figures) during the 1990s. In contrast, only six parcels were developed each year, indicating that the average building size per parcel was roughly 22,327 SF. In comparison, Blacksburg experienced an average absorption rate of 101,758 SF, while adding approximately 5 newly developed parcels per year. This data indicates a slightly smaller average building size per parcel of 21,200 SF. As mentioned previously, a significant portion of the Town-wide development in employment generating uses is directly attributable to the growth of the Virginia Tech Corporate Research Center. Removing that growth figure would diminish the Blacksburg figures by approximately 25%.

Despite the similar building size per parcel average in the Town and County, there is a significant disparity in the development patterns based on type of growth. The County realized more significant growth of large retail shopping centers, including three sites that averaged nearly 160,000 SF each. On the other hand, Blacksburg had significant growth in professional office buildings averaging slightly more than 4,000 SF each and industrial parcels that averaged over 40,000 SF per parcel. Almost all of the County new development is located along the Route 460-Bypass corridor just south of the Blacksburg town limits. In addition, a majority of the new Blacksburg development is located adjacent to this area, near the intersection of South Main Street and the 460-Bypass in the South End District (see Chapter 5).

J. KEY DEVELOPMENT INTERVIEWS

In conjunction with this analysis, the consultants interviewed several real estate professionals in and around the Blacksburg area in order to gain insight on local market conditions. RKG Associates conducted interviews with real estate brokers, developers, and construction firms. This section highlights the most significant findings and observations obtained from these interviews.

It is important to note that these interviews were conducted with assurances of confidentiality. The consultants asked the respondents to be "as frank and honest" as they felt comfortable. The comments contained in this section represent the

ideas and opinions of those people interviewed and may or may not reflect actual conditions or circumstances. However, it is the consultant's opinion that the findings presented below reflect either perceived or real conditions affecting the Blacksburg real estate market. To the extent that perceptions shape the actions and decisions of key development players in the community, their inclusion in this report is considered important.

Any negative observations or comments contained in this section are included for informative or constructive purposes only, and are not included to discredit or disparage the Town or its staff.

1. Market Performance

Most respondents viewed the Blacksburg market as two separate entities. With respect to the residential market, almost every interviewee indicated that the Blacksburg residential market is very strong. The rental market is believed to have less than a 3% vacancy rate and single-family homes typically do not stay on the market for more than one month. It was indicated that almost all of the new residential development in Blacksburg is higher-end, luxury homes with no less than 2,000 SF of floor area. One respondent claimed that there has not been a new house built for less than \$200,000 in Blacksburg for over three years. The sentiment among those interviewed was that low- and moderate-income families have been priced out of the local market and Blacksburg is becoming a more exclusive market due to higher prices. Despite this fact, very few interviewees predicted any slowdown in the residential market for the foreseeable future.

Relative to the commercial and industrial market segments, interviewees described them as "less vibrant" than the residential market. The most common concern expressed dealt with the lack of developable space for commercial uses in Blacksburg. Several respondents indicated that the scarcity of properly zoned land has pushed potential business-residents into Christiansburg and the County. In addition, there was specific concern expressed about the ailing retail market. Several individuals commented that the lack of parking in the downtown, coupled with the draw of the regional mall, has depleted the Town of "traditional" retailers. As a result, retailers who cater to the college-age clientele have filled these shops, further alienating the permanent Town residents.

2. Business Climate

Several concerns were expressed about Blacksburg as a place to do business. As is quite common, members of the development and real estate community expressed dissatisfaction with the permit and approval process for new developments. Inefficiency, inflexibility and micro-management were the most widely discussed issues among the many offered. In addition, there is a perception that some Town employees take an adversarial position against development proposals, viewing the situation as “us against them.”

In general, the concern is that the Town Planning Commission and the Town Council tend to over-regulate development proposals on occasion, which can undermine the financial feasibility of profit potential of projects. These actions can make projects marginally cost-effective due to delays and costly plan amendments. Developers also claim that the Town Planning Commission is not willing to adjust requirements to better suit the type of project being presented. As a result, a negative perception about Blacksburg has developed among some real estate professionals and it is believed that similar perceptions have caused some potential businesses to locate in other communities. In contrast, most stated that Christiansburg is much less demanding throughout the development process, “streamlining” the process so that there is a quick turnaround for the final decision.

A minority of the interviewees recognized the benefits of high standards on growth and had an appreciation for the results of the more demanding application and review process. In addition, almost all of the respondents commented that the Town is extremely consistent when reviewing development applications and applies the same standards to each project.

3. Development Opportunities & Potential

Despite the relatively negative opinion of the business climate in Blacksburg, most of the respondents did have positive outlooks for the Town's future. Among the suggestions given to improve the growth potential in Blacksburg, the most popular suggestion was to expand the non-residential zones along the major road corridors to open up markets for commercial development. Other suggestions included increasing development density minimums to maximize the tax base, reconfigure the approval process to move projects through more quickly, and promote the development of moderately-priced homes to meet the local demand.

Almost all respondents felt that the demand for low-density, luxury residential projects will continue to occur in Blacksburg. There was a consensus that "traditional" retail development will be very limited in Blacksburg in the short-term, although many felt that retail nodes could develop in specific areas around Blacksburg. For example, there is a popular opinion that the area in South End near the intersection of South Main Street and Route 460-Bypass has the potential to become a significant professional office, high-tech industry and retail center. Most feel that specialty retail and restaurants have a strong market in Blacksburg due to the college students.

In contrast, several respondents indicated that Christiansburg and Montgomery County would experience significantly higher growth levels. It is believed that retail development will continue to locate at a fast pace in Christiansburg while much of the residential and industrial development will locate in the County.

4. Miscellaneous Observations

The interviewees were offered the opportunity to address any other concerns or observations that they had about Blacksburg and its future. Here are some of the responses that are relevant to this study.

- There is a feeling that the apartment rental market is currently in balance with existing demand. However, it is believed that any increases in demand will upset the market and potentially motivate house owners to convert them into high-occupancy rental dwellings over the short term. In addition, a severe change in demand most likely will not be met due to the lack of properly zoned, vacant land.
- Some individuals believe that the dynamic of development will shift as costs in Christiansburg approach the Blacksburg levels. Some feel that this is when Blacksburg will have a chance to redevelop areas such as South Main Street with traditional retailers such as grocery stores and apparel shops.
- Several respondents recognized the issues relative to the relationship between Virginia Tech and the Town. The common desire was for improved communication so that the Town could adequately prepare for any changes

resulting from Virginia Tech's expansion. There was particular concern about the potential for the university to increase enrollment without increasing the number of dormitories on campus, thereby creating an immediate housing shortage. More than one person indicated that they were making current development plans, based on the expectation that Virginia Tech would increase student enrollment in the near-term.

- Several individuals believe that the town's open space and pathway requirements are onerous and add unnecessary costs to projects, which eventually get passed onto future buyers. By the same token, some of these same individuals cited Blacksburg's open space and bike trails as elements that make the community a desirable place to live.

K. CONCLUSIONS

The Montgomery County and Town of Blacksburg markets have significant disparities that have been affecting their respective market performances. In general, the County's real estate market has been stronger and more active than the Town's market over the past 10 years. There are three primary differences that have been influencing these trends. First, Blacksburg has historically had higher costs associated with residential and non-residential development. Because of this, consumers have been looking outside Blacksburg to locate due to lower taxes and land costs in the County. Secondly, the supply of properly zoned land for development is in much greater supply in the County than in Blacksburg. Several of the local professionals interviewed indicated the difficulty in finding a site suitable for employment-generating uses. Third, Blacksburg has gained the reputation as a "tough place to do business." This reputation, whether real or perceived, has created a disincentive for some development players who have chosen to do business outside the community.

Despite these facts, most real estate professionals believe that Blacksburg has strong potential to recapture a significant portion of the County's growth. Blacksburg will become more price-competitive as values and prices increase in the County and Christiansburg, reducing the current disparity. This shift will erode the current incentive structure that financially rewards projects that locate outside the Town limits. In addition, the Town has the option to expand the amount of land

designated for employment-generating land uses through careful rezoning and improve the Town's image through simple marketing and public relations efforts. The improved relations and added acreage would increase the likelihood of developers looking at Blacksburg as a possible project location.